MEMORANDUM

TO: Commissioners Hardy, Hadley, Landis, Server and Ziegner

FROM: Jerry L. Webb, Director of Gas/Water/Sewer Division

DATE: February 2, 2006

RE: Utility Articles for Next Conference

The following Final Articles A and Preliminary Articles A are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after February 8, 2006.

"A" Final

The following new miscellaneous items will be eligible for final consideration at the next Commission Conference and based upon a review of them by staff members of the Commission, I recommend approval.

1. Frontier Communications of Indiana, Inc.

The utility proposes to offer a $5 discount from the normal monthly charge of $30.00 for the Frontier Choices Tier I Bundle in exchange for the customer entering into a one-year contract for the bundle. The bundle includes one-party local exchange service, allowance for ten free local directory assistance calls, and any combination of up to 17 enhanced calling features, such as voice mail, caller ID and call waiting.

Early termination liability charges shall apply if the customer cancels the Tier I Bundle before the end of the contract term. The early termination liability charges shall be calculated as follows: for each cancelled Tier I Bundle a rate differential equal to the difference between the Tier I Bundle rate under the contract and the Tier I Bundle rate under month-to-month subscription (or $5) shall be multiplied by the number of months (rounded to the next whole month) for which the customer subscribed to the Tier I Bundle under contract before cancellation. For example, if a customer begins the one-year contract in January and cancels the contract in mid June, the customer would owe $35 in termination liability charges.

After the end of the one-year period, the monthly rate with a one-year term commitment will apply for another one-year term commitment unless the customer requests that the one-year term not be renewed, in which case the normal monthly rate will apply on a month-to-month basis. The Company will notify the customer of this provision before the renewal of the one-year term.

Revenue projections have been included with this filing. The utility anticipates gross revenue from this offering of $20,700 in the first year.

The tariff sheet affected by this filing is:

Section 9, Sheet 2.1

2. Frontier Communications of Thorntown, Inc.

The utility proposes to offer a $5 discount from the normal monthly charge of $30.00 for the Frontier Choices Tier I Bundle in exchange for the customer entering into a one-year contract for the bundle. The bundle includes one-party local exchange service, allowance for ten free local directory assistance calls, and any combination of up to 17 enhanced calling features, such as voice mail, caller ID and call waiting.

Early termination liability charges shall apply if the customer cancels the Tier I Bundle before the end of the contract term. The early termination liability charges shall be calculated as follows: for each cancelled Tier I Bundle a rate differential equal to the difference between the Tier I Bundle rate under the contract and the Tier I Bundle rate under month-to-month subscription (or $5) shall be multiplied by the number of months (rounded to the next whole month) for which the customer subscribed to the Tier I

Bundle under contract before cancellation. For example, if a customer begins the one-year contract in January and cancels the contract in mid June, the customer would owe $35 in termination liability charges.

After the end of the one-year period, the monthly rate with a one-year term commitment will apply for another one-year term commitment unless the customer requests that the one-year term not be renewed, in which case the normal monthly rate will apply on a month-to-month basis. The Company will notify the customer of this provision before the renewal of the one-year term.

Revenue projections have been included with this filing. The utility anticipates gross revenue from this offering of $20,700 in the first year.

The tariff sheet affected by this filing is:

Section 8, Sheet 2.1

3. <u>Indiana Gas Company, Inc.</u>

The utility is proposing to establish a new rate schedule ("Rate 235 – School Transportation Service" – Tariff Sheet No. 14) to make transportation service available to any Non-Residential Customer that is an educational institution for which transportation service is not presently available. The proposed rate schedule:

a. Requires a lower annual usage threshold than is presently required for Transportation service under other rate schedules;
b. Includes a $25 increase in the customer facilities charge (Group 2 meter from $36 to $61 and Group 3 meter from $75 to $100), as compared to the general sales rate schedule currently available to school customers of this size.
c. Includes distribution charges identical to those currently applicable to these school customers under the general sales rate schedule.
d. Requires the customer to enter into a contract for at least one year that specifies the hourly and daily maximum gas requirements of the customer.
e. Allows customer to participate in Pooling Service.
f. Subjects customer to nomination and balancing provisions.
g. Incorporates Rate 235 customers into the utility's curtailment procedures.

Cost support has been provided

The tariff sheets affected by this filing are:

Sheet No. 2 – Tariff Sheet Index, Page 1 of 3.

Sheet No. 14 – Pages 1 and 2 have been created for Rate 235.

Sheet No. 20 – Rate 280, Pooling Service, Pages 1 and 2 of 4
Rate 235 has been added to "Applicability", "Character of Service" and "Provisions and Requirements For Transportation Customer Participation".

Sheet No. 30 – Appendix A, Gas Cost Adjustment, Page 1 of 1
The Gas Cost Adjustment for Rate 235 is reflected as $0.0000.

Sheet No. 34 – Appendix E, Nomination and Balancing Provisions, Page 1 of 6
Rate 235 has been added to “Applicability”.

Sheet No. 36 – Appendix G, Universal Service Fund Rider, Page 1 of 1
The Universal Service Fund (USF) Rider for Rate 235 is consistent with the USF Rider currently applicable to these school customers under Rate 220. (Sheet No. 36 as shown reflects the 2006 USF Rider by Rate Schedule which was approved by the Commission on December 14, 2005.)

Sheet No. 37 – Appendix H, Pipeline Safety Adjustment, Page 1 of 1
The Pipeline Safety Adjustment (PSA) for Rate 235 is consistent with the PSA currently applicable to these school customers under Rate 220.

Sheet No. 61 – General Terms and Conditions Applicable to Gas Service Rule 24, Curtailment Procedures, Pages 1 and 2 of 4
Rate 235 has been added to “Definitions” and “Gas Supply Curtailment Sequence”.

4. <u>Marshall County Rural Electric Membership Corporation</u>

Marshall County REMC seeks Commission approval to add to their Appendix "B" non-recurring charges, one additional item which will be titled "USE OF E-CHECKS / E-BILLS".

Marshall County REMC proposes to offer customers the convenience of paying electric bills using the e-check process and to provide electronic bills for customers/members requesting them. A similar service is currently available to customers that use credit/debit cards. Any costs that are incurred by Marshall County REMC for these voluntary payment options are passed on to the customers/members using the service.

The tariff sheet affected by this filing is:

Appendix "B"

5. <u>Southern Indiana Gas and Electric Company</u>

The utility is proposing to establish a new rate schedule ("Rate 135 – School Transportation Service" – Tariff Sheet No. 14) to make transportation service available to any Non-Residential Customer that is an educational institution for which transportation service is not presently available. The proposed rate schedule:

a. Requires a lower annual usage threshold than is presently required for Transportation service under other rate schedules;
b. Includes a $25 increase in the customer facilities charge (Group 2 meter from $34 to $59 and Group 3 meter from $70 to $95), as compared to the general sales rate schedule currently available to school customers of this size .
c. Includes distribution charges identical to those currently applicable to these school customers under the general sales rate schedule.
d. Requires the customer to enter into a contract for at least one year that specifies the hourly and daily maximum gas requirements of the customer.
e. Allows Customer to participate in Pooling Service.
f. Subjects customer to nomination and balancing provisions.
g. Incorporates Rate 135 customers into the Utility's curtailment procedures.

The tariff sheets affected by this filing are:

Sheet No. 2 – Tariff Sheet Index, Page 1 of 3.

Sheet No. 14 – Pages 1 and 2 have been created for Rate 135.

Sheet No. 19 – Rate 180, Pooling Service, Pages 1 and 2 of 4
Rate 135 has been added to "Applicability", "Character of Service" and "Provisions and Requirements For Transportation Customer Participation".

Sheet No. 30 – Appendix A, Gas Cost Adjustment, Page 1 of 1
The Gas Cost Adjustment for Rate 135 is reflected as $0.0000.

Sheet No. 34 – Appendix E, Nomination and Balancing Provisions, Page 1 of 6
Rate 135 has been added to "Applicability".

Sheet No. 36 – Appendix G, Universal Service Fund Rider, Page 1 of 1
The Universal Service Fund (USF) Rider for Rate 135 is consistent with the USF Rider currently applicable to these school customers under Rate 120. (Sheet No. 36 as shown reflects the 2006 USF Rider by Rate Schedule which was approved by the Commission on December 14, 2005.)

Sheet No. 37 – Appendix H, Pipeline Safety Adjustment, Page 1 of 1
The Pipeline Safety Adjustment (PSA) for Rate 135 is consistent with the PSA currently applicable to these school customers under Rate 120.

Sheet No. 61 – General Terms and Conditions Applicable to Gas Service
Rule 24, Curtailment Procedures, Page 2 of 4
Rate 135 has been added to the Gas Supply Curtailment Sequence.

Please indicate your consideration and action of all the preceding items on the appropriate lines provided below.

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Jerry L. Webb
Director of Gas/Water/Sewer Division

I approve of all items as presented above:

I approve of all items as presented above except:

Not participating in the following items:

I, ________________________________ , Disapprove Items

No.

I, ________________________________ , Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.

Paula Barnett, Acting Executive Secretary

“A” Preliminary

The following new miscellaneous items have been reviewed by staff members of the Commission and we recommend accepting them for filing.

1. Communications Corporation of Indiana

The Utility is proposing a Local Service Access Line Temporary Rate Reduction (“Temporary Rate Reduction”) to increase customer satisfaction, to standardize pricing, and to respond to competition. Communications Corporation of Indiana (“CCI”) has residential rates that are among the highest in the state of Indiana and has differing rates among its exchanges. One reason the local rates of the Clayton and Whitestown exchanges ($27.48) are high is because customers enjoy unlimited calling into the Indianapolis Metro Area in lieu of paying long distance charges. After the Temporary Rate Reduction, residential rates for five of its exchanges will be equal. CCI cited wireless, cable telephony, VoIP, and CLECS as current or potential competitors. CCI has indicated it experienced 165 disconnects in 2005 that were directly attributable to customers switching to a competitor and has incurred a 1% reduction in access lines from 2004 – 2005. It also indicated the Clayton Exchange lost 3% of its access lines during a 12-month period, despite significant growth in new homes.

The table below identifies the current and proposed Residential Rates (R1) and Business Rates (B1), including the Subscriber Line Charge (SLC). Services such as payphone access lines, business key systems, ISDN and Foreign Exchange are also being temporarily reduced by varying amounts.

Exchange	Service	Current Rate	State SLC	Total Current Rate	Proposed Temporary Rate Reduction	Total Proposed Rate
Clayton	R1	$23.10	$4.38	$27.48	($7.53)	$19.95
	B1	$39.30	$4.38	$43.68	($10.30)	$33.38
Whitestown	R1	$23.10	$4.38	$27.48	($7.53)	$19.95
	B1	$39.30	$4.38	$43.68	($10.30)	$33.38
Filmore	R1	$16.80	$4.38	$21.18	($1.23)	$19.95
New Ross	R1	$18.80	$4.38	$23.18	($3.23)	$19.95
	B1	$25.30	$4.38	$29.68	($2.50)	$27.18
Roachdale	R1	$18.80	$4.38	$23.18	($3.23)	$19.95
	B1	$25.30	$4.38	$29.68	($2.50)	$27.18

The tariff filing provides that the Temporary Rate Reduction will expire on July 1, 2006. However, the duration of the proposed Temporary Rate Reduction will depend in part on the implementation date of the Settlement Agreement that implements the new Indiana Universal Service Fund (“IUSF”) established via Cause No. 42144. The Settlement Agreement in Cause No. 42144 establishes a qualification test to be used for determining the Rural Local Exchange Carriers (“RLECs”) IUSF disbursement eligibility amount. An RLEC’s IUSF disbursement eligibility amount will be directly reduced by the amount of that RLEC’s calculated revenue surplus. Section 20 of the Settlement Agreement gives RLECs the ability to request a variance from the IUSF calculations.

In conjunction with the implementation of the new IUSF, CCI will make a Section 20 filing requesting that its revenue surplus be adjusted by the local revenue reduction from the Temporary Rate Reduction. If the Section 20 Filing is approved prior to July 1, 2006, CCI agrees to make the Temporary Rate Reduction permanent by filing rates at the local service net amount. CCI will consider extending the expiration date if either the Section 20 Filing is still pending on July 1, 2006 or the IUSF has yet to be implemented as of July 1, 2006. To extend the July 1, 2006 expiration date, CCI will submit a new 30-Day Filing.

CCI estimates that the Temporary Rate Reduction will result in a decrease in annual local revenues of $747,270.

The tariff sheet affected by the filing is:

IURC No. 1, Section 4, Sheet 5.

2. Home Telephone Company of Pittsboro, Inc.

The Utility is proposing a Local Service Access Line Temporary Rate Reduction ("Temporary Rate Reduction") to increase customer satisfaction and to respond to competition. Home Telephone Company of Pittsboro, Inc. ("Home-Pittsboro") has residential rates that are among the highest in the state of Indiana. One reason the local rates are high is because customers enjoy unlimited calling into the Indianapolis Metro Area in lieu of paying long distance charges. Home-Pittsboro cited wireless, cable telephony, VoIP, and CLECS as current or potential competitors. Home-Pittsboro indicated it has lost 1% of its access lines during a 12-month period, despite significant growth in new homes.

The table below identifies the current and proposed Residential Rates (R1) and Business Rates (B1), including the Subscriber Line Charge (SLC). Services such as payphone access lines, business key systems, ISDN and Foreign Exchange are also being reduced by varying amounts.

Exchange	Service	Current Rate	State SLC	Total Current Rate	Proposed Temporary Rate Reduction	Total Proposed Rate
Pittsboro	R1	$23.80	$4.00	$27.80	($2.85)	$24.95
	B1	$39.20	$4.00	$43.20	($5.80)	$37.40

The tariff filing provides that the Temporary Rate Reduction will expire on July 1, 2006. However, the duration of the proposed Temporary Rate Reduction will depend in part on the implementation date of the Settlement Agreement that implements the new Indiana Universal Service Fund ("IUSF") established via Cause No. 42144. The Settlement Agreement in Cause No. 42144 establishes a qualification test to be used for determining the Rural Local Exchange Carriers ("RLECs") IUSF disbursement eligibility amount. An RLEC's IUSF disbursement eligibility amount will be directly reduced by the amount of that RLEC's calculated revenue surplus. Section 20 of the Settlement Agreement gives RLECs the ability to request a variance from the IUSF calculations.

In conjunction with the implementation of the new IUSF, Home-Pittsboro will make a Section 20 filing requesting that its revenue surplus be adjusted by the local revenue reduction from the Temporary Rate Reduction. If the Section 20 Filing is approved prior to July 1, 2006, Home-Pittsboro agrees to make the Temporary Rate Reduction permanent by filing rates at the local service net amount. Home-Pittsboro will consider extending the expiration date if either the Section 20 Filing is still pending on July 1, 2006 or the IUSF has yet to be implemented as of July 1, 2006. To extend the July 1, 2006 expiration date, Home-Pittsboro will submit a new 30-Day Filing.

Home-Pittsboro estimates that the Temporary Rate Reduction will result in a decrease in annual local revenues of $100,124.

The tariff sheet affected by the filing is:

IURC No.1, Section 1, Sheet 1

3. Smithville Telephone Company, Inc.

The utility has filed an exception to their Tariff F.C.C. No. 1. Tariff F.C.C. No. 1 was changed to reflect changes to the Pre-subscription Interexchange Charge (PIC). The change was filed with the F.C.C. on October 17, 2005 and approved on November 1, 2005.

The utility mirrors its interstate tariff, Tariff F.C.C. No. 1, in its intrastate tariff, Tariff IURC No. 5. The utility takes exception to this rule when one of two conditions exists: (1) when services in the interstate tariff do not apply to the intrastate tariff or (2) when services differ sufficiently to require a statement explaining why Indiana-specific regulation is required. In this filing the utility is adding an exception statement to the tariff that states that the PIC charge also applies to “manual intraLATA change only” traffic.

The following tariff sheets are affected by this filing:

I.U.R.C. No. 5, Check Sheet 1 & 2, Exception Sheet 1.

Jerry L. Webb
Director of Gas/Water/Sewer Division